

Message Text

UNCLASSIFIED

PAGE 01 BERN 00741 150851Z
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
H-02 PA-02 CIAE-00 COME-00 FRB-01 INR-10 NSAE-00
XMB-04 OPIC-06 LAB-04 SIL-01 /119 W
-----021218 151108Z /10

R 0150730Z FEB 78
FM AMEMBASSY BERN
TO SECSTATE WASHDC 2782
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASST LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH

UNCLAS BERN 741

USMTN ALSO FOR MISSION

USOECD ALSO FOR EMBASSY

PASS TREAS AND FRB

E.O. 11652: N/A
TAGS: EFIN, SZ
SUBJECT: NEW SWISS FINANCIAL PACKAGE INCLUDES VALUE ADDED TAX

REF: BERN 740

1. FEDERAL COUNCILOR CHEVALLAZ (FINANCE MIN)
ANNOUNCED FEB 10 NEW GOVT FINANCIAL PACKAGE, INCLUDING
INTRODUCTION OF VALUE ADDED TAX (VAT) OF 8 PERCENT TO
BALANCE FEDERAL BUDGET BY 1981. VAT WOULD BE REDUCED
TO 2.5 PERCENT FOR BASIC FOODSTUFFS AND MEDICINES, TO
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 00741 150851Z

5 PERCENT FOR HOTEL AND RESTAURANT SERVICES; SMALL
BUSINESSES WITH ANNUAL RECEIPTS BELOW SF 50,000 WOULD
BE EXEMPT; THOSE WITH RECEIPTS UNDER SF 100,000 COULD
PAY FLAT 6 PERCENT IF THEY DOD NOT ITEMIZE DEDUCTIONS.
VAT WOULD AFFECT 135,000 FIRMS COMPARED TO 92,000
UNDER PRESENT TURNOVER TAX.

2. VAT WOULD INCREASE GOVT REVENUES BY SF 800 MILLION IN 1980 AND SF 1.4 BILLION BEGINNING 1981. REVENUE FROM DIRECT INCOME TAX (NATL DEFENSE TAX) WOULD BE REDUCED SF 300 MILLION, BECAUSE INCOMES BELOW SF 15,000 WOULD BE EXEMPT; TAX RATE WOULD BE REDUCED FOR INCOMES BELOW SF 150,000; AND MAXIMUM RATE RAISED FROM 11.5 TO 12.5 PERCENT. FISCAL IMPACT SOUGHT IS HALF THAT OF 10 PERCENT VAT PROPOSAL THAT VOTERS REJECTED IN JUNE 1977, BECAUSE OF NEW GOVT AUSTERITY MEASURES APPROVED IN DEC 1977 REFERENDUM AND SF 300 MILLION EXPECTED FROM INCREASED TAX RATES ON FINANCIAL OPERATIONS (STAMP TAX) AND TOBACCO.

3. IN CONJUNCTION WITH VAT, FINANCIAL PLAN CONSIDERS HAVING CANTONS BEAR GREATER BURDEN FOR FINANCING DISABILITY AND HEALTH INSURANCE. CONFEDERATION WOULD TAKE OVER FROM CANTONS RESPONSIBILITIES FOR HIGHWAY MAINTENANCE. GOVT OPERATIONAL EXPENDITURES WOULD INCREASE AT FASTER RATE THAN OVERALL BUDGET; GOVT INVESTMENTS WOULD GROW 3 OR 4 PERCENT; FEDERAL SUBSIDIES WOULD DECREASE IN ABSOLUTE TERMS; AND AMOUNT OF GOVT EXPENDITURES WOULD RISE IN PROPORTION TO GOVT TRANSFER PAYMENTS. IN ADDITION, IF VOTERS IN FEB 26 NATL REFERENDUM APPROVE NEW CONSTITUTIONAL ARTICLE TO PROVIDE GOVT ECONOMIC POLICY POWERS, GOVT WOULD BE ABLE TO ADJUST VAT RATE ACCORDING TO ECONOMIC SITUATION, E.G., SHORT

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 00741 150851Z

TERM REDUCTION TO PROVIDE STIMULUS IN TIME OF RECESSION.

WARNER

UNCLASSIFIED

NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

@@@OASYS@@@<CONCATENATED>

UNCLASSIFIED

PAGE 01 BERN 00741 150851Z

ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
H-02 PA-02 CIAE-00 COME-00 FRB-01 INR-10 NSAE-00
XMB-04 OPIC-06 LAB-04 SIL-01 /119 W
-----021218 151108Z /10

R 0150730Z FEB 78

FM AMEMBASSY BERN
TO SECSTATE WASHDC 2782
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASST LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH

UNCLAS BERN 741

USMTN ALSO FOR MISSION

USOECD ALSO FOR EMBASSY

PASS TREAS AND FRB

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: NEW SWISS FINANCIAL PACKAGE INCLUDES VALUE ADDED TAX

REF: BERN 740

1. FEDERAL COUNCILOR CHEVALLAZ (FINANCE MIN)
ANNOUNCED FEB 10 NEW GOVT FINANCIAL PACKAGE, INCLUDING
INTRODUCTION OF VALUE ADDED TAX (VAT) OF 8 PERCENT TO
BALANCE FEDERAL BUDGET BY 1981. VAT WOULD BE REDUCED
TO 2.5 PERCENT FOR BASIC FOODSTUFFS AND MEDICINES, TO
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 00741 150851Z

5 PERCENT FOR HOTEL AND RESTAURANT SERVICES; SMALL
BUSINESSES WITH ANNUAL RECEIPTS BELOW SF 50,000 WOULD
BE EXEMPT; THOSE WITH RECEIPTS UNDER SF 100,000 COULD
PAY FLAT 6 PERCENT IF THEY DOD NOT ITEMIZE DEDUCTIONS.
VAT WOULD AFFECT 135,000 FIRMS COMPARED TO 92,000
UNDER PRESENT TURNOVER TAX.

2. VAT WOULD INCREASE GOVT REVENUES BY SF 800 MILLION
IN 1980 AND SF 1.4 BILLION BEGINNING 1981. REVENUE
FROM DIRECT INCOME TAX (NATL DEFENSE TAX) WOULD BE

REDUCED SF 300 MILLION, BECAUSE INCOMES BELOW SF 15,000 WOULD BE EXEMPT; TAX RATE WOULD BE REDUCED FOR INCOMES BELOW SF 150,000; AND MAXIMUM RATE RAISED FROM 11.5 TO 12.5 PERCENT. FISCAL IMPACT SOUGHT IS HALF THAT OF 10 PERCENT VAT PROPOSAL THAT VOTERS REJECTED IN JUNE 1977, BECAUSE OF NEW GOVT AUSTERITY MEASURES APPROVED IN DEC 1977 REFERENDUM AND SF 300 MILLION EXPECTED FROM INCREASED TAX RATES ON FINANCIAL OPERATIONS (STAMP TAX) AND TOBACCO.

3. IN CONJUNCTION WITH VAT, FINANCIAL PLAN CONSIDERS HAVING CANTONS BEAR GREATER BURDEN FOR FINANCING DISABILITY AND HEALTH INSURANCE. CONFEDERATION WOULD TAKE OVER FROM CANTONS RESPONSIBILITIES FOR HIGHWAY MAINTENANCE. GOVT OPERATIONAL EXPENDITURES WOULD INCREASE AT FASTER RATE THAN OVERALL BUDGET; GOVT INVESTMENTS WOULD GROW 3 OR 4 PERCENT; FEDERAL SUBSIDIES WOULD DECREASE IN ABSOLUTE TERMS; AND AMOUNT OF GOVT EXPENDITURES WOULD RISE IN PROPORTION TO GOVT TRANSFER PAYMENTS. IN ADDITION, IF VOTERS IN FEB 26 NATL REFERENDUM APPROVE NEW CONSTITUTIONAL ARTICLE TO PROVIDE GOVT ECONOMIC POLICY POWERS, GOVT WOULD BE ABLE TO ADJUST VAT RATE ACCORDING TO ECONOMIC SITUATION, E.G., SHORT

UNCLASSIFIED

PAGE 03 BERN 00741 150851Z

TERM REDUCTION TO PROVIDE STIMULUS IN TIME OF RECESSION.

WARNER

UNCLASSIFIED

NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL AGREEMENTS, TAXES
Control Number: n/a
Copy: <CONCATENATED>
Draft Date: 01 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BERN00741
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Expiration:
Film Number: D780069-0503
Format: TEL
From: BERN USMTN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802111/aaaafmhd.tel
Line Count: 207
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Message ID: 86469cce-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 BERN 740
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3455755
Secure: OPEN
Status: <DBA CORRECTED> gwr 970822
Subject: NEW SWISS FINANCIAL PACKAGE INCLUDES VALUE ADDED TAX
TAGS: EFIN, SZ
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/86469cce-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014